COMMITTEE ON FINANCE
NEWS RELEASE

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For Immediate Release
April 18, 2008

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SENATE FINANCE AGRICULTURE TAX PACKAGE:
FARM TAX REFORMS

Many Americans – including leaders in Congress – say that America's farm policy is ripe for reform. The Senate Finance Committee conferees on the farm bill included significant reforms in their latest offer to finalize the legislation – <u>double the reforms in the House or Senate bills alone</u>.

Along with a slight decrease in the ethanol tax credit, <u>these reforms add up to $2.4 billion</u> that can be used to fully offset a package of vital tax relief for American agriculture. They will promote consistent and fair tax treatment among farmers and other taxpayers, reduce the ability to abuse farming businesses to generate losses, help farmers ensure their own retirement security, and ensure that agricultural producers and other taxpayers properly report income and pay their fair share. These reforms are right for farm country – and right for the farm bill.

- **Preventing the use of farm losses as a tax shelter –** Some taxpayers can use complex farming operations to reduce income subject to tax. This proposal addresses this problem by limiting the amount of Schedule F (agricultural) losses that a taxpayer may use to reduce other non-ag business income to $200,000, if the taxpayer receives any Farm Bill commodity payments. This proposal does not limit a farmer's or rancher's ability to use his or her agricultural losses against their agricultural gains. This can save $456 million over the next ten years.

- **Allowing farmers to pay additional self-employment taxes to qualify for Social Security –** Qualifying for Social Security benefits can be difficult for self-employed farmers and ranchers because they do not always have a steady income stream. When there are no earnings, no Social Security taxes are paid and no quarters are accrued. Through farm optional methods, farmers and ranchers may voluntarily pay Social Security taxes in order to earn quarters so that they can receive Social Security benefits. However, the payment thresholds are outdated and no longer allow farmers and ranchers to earn enough Social Security credits per year. This proposal modifies the farm optional method so that farmers and ranchers may pay more in optional self-employment taxes so they may be eligible to secure Social Security benefits. This can raise $124 million over the next ten years.

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- **Ensuring that farmers know their tax obligations -** Income that is subject to information reporting is less likely to be underreported to the IRS, a problem that frequently leaves legally owed taxes unpaid. This provision requires the Commodity Credit Corporation to always provide the IRS and the farmer with information returns showing the amount of market gain the farmer realizes when he or she repays a CCC market assistance loan.

Senate conferees are committed to an additional $600 million in agriculture tax-related reforms to complete the package.

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